



Michael J. Bartholomew
Chief Counsel, State Relations

Statement

American Council of Life Insurers Commerce Committee

February 24, 2008

SB 971. AN ACT CONCERNING SMALL BUSINESS RETIREMENT PLANS

This Statement is presented on behalf of the American Council of Life Insurers (ACLI), an association of 340 legal reserve life insurance companies, 260 of which are licensed and carry on business in Connecticut that account for over 93% of the life and annuity business written in the State. We are pleased that the State is interested in this issue. Our member companies provide comprehensive retirement products to individuals and to employers both large and small. For example, one member company has advised us that as of the end of 2008 they had over 8,200 plans in effect for Connecticut employers with less than 100 employees- a figure that represents about 2% of their national business (Connecticut's population is roughly 1% of the United States total population). Other companies tell us of similar findings. There is an abundance of retirement savings within the State through our industry as well as through other financial services firms. Our member companies continue to work hard to promote both individual as well as employer based retirement savings solutions.

The bill before this Committee would have the state play the role of a financial services company, putting our member companies at a competitive disadvantage while not directly addressing the retirement savings challenge. Rather than having the state compete with our member companies for the same pool of savers, we believe that there are steps the State should consider to promote retirement savings and increase the number employers offering workers a chance to save.

The State of Connecticut should consider efforts to educate its citizens about retirement savings and the benefits of beginning as early as one can afford in one's working career. For example, this could include educating high school seniors about the benefits of savings and the need for retirement income to supplement Social Security. The State could provide citizens and employers with links to information available at the Department of Labor website, the American Savings Education Council's "Choose To Save" website and other information regarding

workplace savings options. Also, the State could offer a modest tax credit to employers to offset the cost of establishing a workplace retirement savings plan. Efforts to promote retirement savings are in keeping with the state's traditional role.

As for the bill before the Committee, if you are inclined to support the bill, I urge you to do an in-depth study as other states have done to better understand worker retirement savings trends by age and salary as well as to understand the nature, complexity, and cost structure of ERISA governed small employer retirement plans. It is important that policy makers understand who is and who is not saving for retirement and why. It is also important that policy makers understand why many small employers do not offer retirement savings opportunities to workers. Lastly, policy makers should understand the full cost and complexities involved in support of an employer's ERISA fiduciary obligations as well as federal tax and labor law compliance. Our member companies have substantial infrastructure in place to provide this support to employers today. We would be happy to work with this Committee in its efforts to learn more about ERISA governed retirement savings plan obligations and the role federal tax and labor law play in this regard.

Thank you for the opportunity to testify on this most important issue. We urge the Committee to consider options to S.971 that attractively promote the need for retirement security for the employees of small firms, while allowing the private marketplace to continue its robust efforts to provide financial protection to as many of Connecticut's citizens as possible. These options include education and information on retirement savings and retirement plan options and a start up credit which will do more to encourage new plans and will be less costly for the state than a state-run plan.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael J. Bartholomew". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michael J. Bartholomew